

VZCZCXRO1336
RR RUEHAG RUEHAST RUEHDA RUEHDBU RUEHDF RUEHFL RUEHIK RUEHKW RUEHLA
RUEHLN RUEHLZ RUEHROV RUEHSR RUEHVK RUEHYG
DE RUEHBS #0809/01 0681620
ZNR UUUUU ZZH
R 091620Z MAR 07
FM USEU BRUSSELS
TO RUEHC/SECSTATE WASHDC
RHMFIUU/DEPT OF ENERGY WASHINGTON DC
RHEHNSC/NSC WASHDC
RHEHAAA/WHITE HOUSE WASHINGTON DC
RUEAEPA/HQ EPA WASHDC
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE

UNCLAS SECTION 01 OF 02 BRUSSELS 000809

SIPDIS

WHITE HOUSE FOR CEQ, DOE FOR SWIFT AND ROSSI, ERA FOR CHASE, AGS FOR
O'KEEFFE

SIPDIS

E.O. 12958: N/A

TAGS: [ENRG](#) [ETRD](#) [SENV](#) [EUN](#) [GM](#)

SUBJECT: EUROPEAN COUNCIL ADOPTS BINDING TARGETS FOR CO2 REDUCTION
AND RENEWABLES

11. SUMMARY. On March 9, the European Council endorsed an integrated climate and energy policy in an effort to limit global warming to 2 degrees C above pre-industrial levels. It called for targets to limit CO2 emissions by 20% by 2020 and to adopt an overall binding goal of 20% of renewable energy for the EU as a whole by the same date. The final draft is the result of compromise among more environmentally active countries who sought binding targets on renewable energy and others, led by Poland, which argued reaching the renewable targets would be too expensive. By focusing on EU average targets, Germany mitigated individual country resistance to binding targets, which if not met, could possibly lead to court action and fines. The Commission has committed to tabling country specific plans by the third quarter of 2008, to be agreed with individual member states. In what Chancellor Merkel termed "ambitious but realistic targets," the Council agreed to 17 different measures on energy in all, ranging from 10 percent binding targets for biofuels to an increase of 20 percent in energy efficiency by 2020. The measures, endorsed by European Commission President Barroso, British Prime Minister Blair and French President Chirac, were heralded as "historic," marking the beginning, according to Chirac, of "green Europe." END SUMMARY.

SPECIFIC TARGETS

12. The final conclusions on energy and climate change reached by the European Council on March 8 - 9 echoed the draft COREPER conclusions released on February 20. The main issue of contention was Germany's push for 20 percent binding target for renewable energy for the EU as a whole by 2020. This met resistance from France and other member states, mainly from the former East bloc. According to Chirac, France sought to broaden the definition of renewables to encompass "non-carbon based energy sources," with a subtarget for renewable energy. Germany and other states resisted this move. The compromise left open the question of Member States' individual energy mix but did not broaden renewables to include other CO2 friendly sources such as nuclear. By focusing on an average target of 20 percent for the EU as a whole, the Council sidestepped, at least for a time, the sacrifices individual countries will have to make. Acknowledging the difficulties ahead, Barosso said the Commission would table country specific plans by the third quarter of 2008. He declined to outline which penalties would apply to countries who did not meet these targets. Instead, he emphasized the country plans would be agreed upon with the individual Member States and would include enforcement mechanisms. Merkel admitted the country plans could be contentious, but emphasized that major changes in policy begin with specific steps and the commitment to a binding target on renewables is "historic." She also sidestepped the question of the cost of such measures.

13. On biofuels, the Council also agreed to a 10 percent binding target for all member states by 2020. The binding character of the target is subject to production being sustainable and second generation biofuels being commercially available and competitive. The Council committed itself to a nonbinding target of 20 percent energy efficiency savings by 2020 and called for an international agreement on energy efficiency.

14. In addition to a 20 percent target in reduction of greenhouse gases from 1990 levels by 2020, the Council adopted a target of 30 percent greenhouse gas reduction by 2020, if other OECD countries also agreed. This last measure was seen by most as a public relations ploy aimed at encouraging the U.S. to discuss post-Kyoto emission targets. The European Parliament had called for even stricter targets, in a move considered by many calculated to apply pressure on Member States that opposed the adoption of binding targets. On March 8, President of the European Parliament Poettering, announced his support for hard targets of 30 percent reduction in CO2 emissions by 2020. Poettering also endorsed a binding goal of 25 percent of renewable. In calling for higher targets than the Council, Poettering said his role was to "push the envelope" and challenge the Member States that are hesitant to embrace policies to combat climate change. Poettering called for Europe to lead the way on climate change. He noted the positive benefits a leadership position could have for the economy and for job creation. Poettering rejected the trade-off of the debate over ecology vs. economy, stating Europe's commitment to ambitious CO2 reduction targets and renewable energy would only help it in the long run. At the same time, he noted the necessity of involving other major economies, e.g., China, India and the U.S., in this strategy.

INTERNAL ENERGY MARKET

BRUSSELS 00000809 002 OF 002

15. The Council adopted a comprehensive energy action plan for the period 2007-2009 based on the Commission's energy policy for Europe. The policy calls for further integration of the internal European market for gas and electricity to increase competition and decrease consumer prices. The Council did not support the Commission's proposal to completely unbundle energy generation from distribution networks met. Instead, it called for "greater separation of energy generation and distribution" based on independently run network operating systems. This position, the result of a compromise endorsed by Germany and France, is interpreted as support for a measure to allow energy companies to retain ownership of energy supply systems, while placing them under the operation of regional energy operators. The Council also endorsed strong, independent energy regulators with a "cross border" perspective, as well as a customer's energy charter. Moves for further harmonization of national regulators, improvement of integration of regional grids, and increased transparency in energy markets were generally not controversial.

16. In a nod to the concerns of Poland and the Baltics, the energy plan includes a statement of solidarity for member states on the issue energy security in times of crisis. This echoed the comments of the new President of the European Parliament, Hans-Gert Poettering on March 8 that relations between Member States must take priority over relations with third parties. The Council also endorsed diversification of energy supplies and transit routes and an analysis of gas storage facilities within the EU. While not mentioning the Energy Charter specifically, it also calls for the finalizing of an agreement on energy with Russia. The plan calls for establishing an Energy Observatory within the Commission. The plan

PREPARATIONS FOR THE G-8

17. The plan also calls for strengthening a partnership and on energy with the U.S., Brazil, China, and India, focusing on green house gases, energy efficiency, renewables and energy technologies

such as carbon capture and storage. This was further endorsed by both Merkel, Barroso and British Prime Minister Blair that the work of the Council on energy should lay the basis for energy discussions within the context of the G-8 ministerial in June.

GRAY